

Service Date: April 16, 1982

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER of the Application    )  
of the BUTTE WATER COMPANY for     ) UTILITY DIVISION  
Authority to Increase Rates and     ) DOCKET NO. 82.3.13  
Charges for Water Services to its   ) ORDER NO. 4896  
Butte, Montana customers.            )

INTERIM RATE ORDER  
FINDINGS OF FACT

1. On March 2, 1982, Butte Water Company (Applicant or BWC) filed an application with this Commission for authority to increase the water rates for its Butte, Montana customers on a permanent basis by approximately 6.73% which constitutes a revenue increase of approximately \$216,315.
2. Concurrent with its filing for a permanent increase in rates, BWC filed an application for an interim increase in rates of 6.73% equaling a revenue increase of approximately \$216,315 or 100% of the proposed permanent increase.
3. The interim rate request includes adjustments not accepted in total or in part in previous Commission orders such as: Rate Case Expense, Computer Expense, Projected Labor Costs and Projected Increase in Cost of Operation and Maintenance Supplies. The rate of return applied for is also above that granted in Order No. 4801a, Docket No. 81.3.25 (the Company's most recent general rate proceeding).
4. Interim rules and guidelines call for "a clear showing that the petitioning utility is suffering an obvious income deficiency." The Commission finds that reference to the adjustments and rate of return approved in the most recent BWC general rate order provide the most appropriate means to

measure financial performance. Applying these parameters to current test year booked income (with revenue at the level approved in Order No. 4801a) and rate base sensibly annualized and corrected for accounting errors not only provides a financial picture consistent with the most recent Commission order (thus providing a basis for accurate comparability), but also avoids prejudging issues in the current case.

5. A schedule prepared consistent with the above criteria shows that BWC operations for the test period produced an overall return of 12.56% (Schedule 1). This compares with the over all return of 14.92% approved in Order No. 4801a.

#### SCHEDULE 1

Booked Net Income, Test Period	537,107	Moke 38.5.157
Annualization Adjustments:		
Wages & Fringe	50,413	p.157.2
Salary & Fringe	19,673	p.157.4
Electric Power Purchased	(1,314)	p.157.6
Natural Gas Purchased	630	p.157.6
Postage	3,634	p.157.7
Rate Case Expense	7,474	p.157.8
Medical & Hospital	(4,668)	p.157.9
Workmen Comp.	(122)	p.157.9
D & D Allowance	(312)	p.157.9
Construction Labor	(10,242)	p.157.9
Depreciation	2,875	P.165
Taxes Other Than Income	410	P.173
Total Accepted O&M Adjustments	68,451	
Total Adjusted Net Income	468,656	
Total Rate Base	3,729,143	
Rate of Return	12.56%	
Order No. 4801a	14.92%	
Required Earnings	556,388	
Earnings Shortfall	87,732	

6. The Commission finds that this difference constitutes an

obvious income deficiency in this instance, that deferred rate relief until a final order can be issued may adversely affect the utility's financial condition and further that under its current ratemaking standards, the utility may be entitled to rate relief at the time a final order is issued in the proceedings.

7. The Commission finds that BWC's rate of return has eroded and accordingly, finds BWC entitled to interim rate relief of \$87,732 on an ,annual basis. (See Schedule 1, Finding of Fact No. 5)

8. Based upon the Commission's findings in Docket No. R1 3 75 {Order Nos. 4801 and 4801a) the Commission finds here that interim relief determined appropriate in this order should be generated by increasing the rate for all services provided by the Applicant on the basis of a uniform percentage increase.

9. The Commission also finds that to be consistent with Order No. 4801a, those consumers having sand traps shall continue to receive a rate of \$2.55 below the rate for all other consumers.

#### CONCLUSIONS OF LAW

1. The Butte Water Company is a public utility furnishing water service to customers in the Butte area. As such, it is subject to the supervision, regulation and control of this Commission pursuant to Section 69-3-102, MCA.

2. Section 69-3-304, MCA, provides in part, "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. The Commission concludes that the grant of an interim rate increase in the manner set forth herein is just, reasonable and within the discretion granted by Section 69-3-304, MCA.

#### ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS

1. The Butte Water Company is hereby granted authority to implement on an interim basis increased rates for its Butte, Montana customers, designed to generate additional annual revenues in the amount of \$87,732 which, however, shall be reduced in accordance with the limitation in Finding of Fact No.9.

2. The Butte Water Company is to file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services.

3. The interim relief granted in this order is to be effective for service rendered on and after April 12, 1982.

4. The increase granted herein is subject to rebate should the final order in this Docket determine that a lesser increase is warranted. Such rebate would include interest at 14.92% per annum.

DONE IN OPEN SESSION THIS 12th day of April, 1982 by a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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GORDON E. BOLLINGER, Chairman

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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CLYDE JARVIS, Commissioner

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THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a motion for Re consideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp. 38.2.4806 ARM.